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I would like to thank the Harvard Club of Asia for the honour of addressing this distinguished gathering of members of an equally distinguished Club.

2. I have been asked to talk on the subject: 'Asia - the challenges ahead'. I am sure that Asia will face a lot of challenges but I believe that in the last few years of the 20th century and on to the year 2020, Asia faces three very basic challenges.

3. The first is the challenge of domestic reform and revolution. The second is the challenge of regional cooperation and friendship. The third is the challenge of striving for a more just and more productive new world order.

4. All three constitute what I would refer to as the challenge of achieving an Asian Renaissance.

5. Of these three basic challenges, perhaps domestic challenge is by far the most important. For Asia to grow and prosper it must accept and manage reform and revolution in individual Asian countries.

6. Asia has done well so far but there is no time for euphoria. There must be no resting on laurels. We must understand that we have only just begun. It is even useful to minimise our own accomplishments, if we want to avoid irritating those who fear the so-called 'Asian challenge', those who have lost confidence in their own ability to compete, those societies which know that in order to meet the world head on they will need to change their ways but are either unwilling or unable to do so.

7. Humility is good for us but it should be the humility of good manners not the humility of those with an inferiority complex which will only stunt or delay our progress.

8. Our progress of course is not just economic. We have made political progress also, though not in the way approved by the West.

9. Domestically we have foregone much of our old authoritarian ways. We are not all democratic but elements of democratic thinking and caring for our people have influenced our thoughts and action.

10. Regionally there are still numerous areas of tension, unresolved boundary issues and many potential causes of conflict. These things notwithstanding, we have not had as much peace in the last century and a half as we have now. We have not known such relative tranquillity for a hundred and fifty years. There are no wars between nations in East Asia. We keep our powder dry, but the guns are silent.

11. Economically, we have been the world's record breakers in terms of dynamism and growth for more than a generation. This is even more remarkable because as recently as 1950, Japan had a per capita income half that of India and Pakistan. We don't have to bring the per capita income of the United States, Switzerland and Sweden into the reckoning. It was only in 1960 that the per capita income of Malaysia reached that of Haiti. Today, the standard of living of Malaysia is ahead of almost all the major countries in the Americas save only the United States and Canada.

12. By the year 2000, the gross regional product of the East Asian economy will reach parity with that of Western Europe or Northern America, a giant leap when it is noted that even in 1980 our total regional GDP was only two thirds that of Western Europe or Northern America. According to the World Bank, by 2020, seven of the ten largest economies in the world will be those of Asian countries. There are some who believe that by the year 2030 East Asia will be the size of North America and Western Europe put together. These forecasts are not made on the basis of simplistic straight line projections.

13. Unfortunately all these glorious statistics are not welcome by everyone. Some countries are not too happy. There is very little talk about Asia becoming the engine of growth for the rest of the world. Instead there are ominous signs that spanners will be thrown into the works, frequently and deliberately.

14. There is a political analog to Newton's third law: for every action, there is an opposite and equal reaction. In politics however, the reaction may not always be equal, though it will often be opposite. Thus the World Bank's predictions on China have cost that nation dearly and will continue to cost China dearly. The same goes for all the talk on the East Asian 'miracle'.

15. We can of course look at the past with some satisfaction. But as I said there is no room for euphoria, there is no cause for complacency. We must never forget that pride comes before a fall.

16. Theodore Roosevelt said during the Second World War: "The only thing we have to fear is fear itself". But there is the other side of the coin. For some of the more exuberant amongst us it is worth reminding that what we may have to fear is the lack of fear itself. Freedom from fear leads to complacency and over-confidence. It is the disease which had affected the old developed countries of the West.

17. There is a second, more important, more basic reason why we must emphasise the necessity of the most serious, single-minded pursuit of reform and revolution. There truly are so many things wrong in our societies that must be put right. The distance to be travelled is so far and the time we must spend in traversing the distance is so short that the word 'revolution' is apt.

18. I do not think we need spill a single drop of blood. The changes must be orderly, not tumultuous. But revolutionary, orderly and radical change there must be.

19. What are the key areas for domestic reform and revolution? The exact priorities are of course different in different Asian societies. Although we have made political progress many of us still need to discard loyalty to old and clearly impractical ideologies. We have to make up our minds ourselves, without any push by others. But the outdated economic theories which had resulted in the formulation of these ideologies have been proven wrong. If we accept new economic models, then we must adjust our politics to suit them.

20. For many, the need is for fundamental reform. For some, the need is for kaizen, constant improvement, constant fine tuning, as our societies continue to be dramatically transformed. In some societies in the Western world, there is the belief that 'if it ain't broke, don't fix it.' In all our societies, we must bend to the kaizen principle: if it isn't perfect, perfect it.

21. We in Malaysia have always practised democracy. Some may dispute this but let us remember that those holier than thou democrats are not too particular about democratic principles when it comes to pushing their views and their selfish policies down other people's throats. We are democratic because the essence of democracy is majority rule and the right to bring down a Government without resort to violence and civil war. We therefore commend democracy as the ideal political system for Asian countries.

22. Still it is foolish to even think that democracy can be a panacea. The theology of democracy can sometimes be somewhat

infantile and some of its most vociferous theologians must think they are selling candy to small children. I commend democracy despite the fact that democracy does have many weaknesses and can be unproductive or even counter-productive at times. I commend democracy despite the fact that many Asian countries have succeeded only in establishing democracies where democracy's weaknesses run riot, rather than building democracies where democracy's profound strengths hold sway.

23. Although Asian countries have mostly done well, there is still the need for economic reform and revolution. We have done remarkably well in the past. But we must never forget that the tremendous economic results of yesterday were the result of what was done and what was achieved before yesterday. We must now lay the foundations for equally tremendous results tomorrow and in the decades to come.

24. And we cannot do this without domestic economic reforms and continued societal revolution. In this regard, I believe there are few things more important than the struggle for increasing productivity.

25. Paul Krugman recently wrote that there is no such thing as the Asian 'miracle'. He is right. There was no waving of the magic wand. There was no magic. There is no mystique. We did it the old fashioned way, through the investment of an ocean of sweat, through the investment of massive capital, and through improving the comprehensive productivity of our societies (what economists call TFP, 'total factor productivity'). He is right in saying that the old fashioned way is the only way anyone gets great economic results. His theory is right. He is even right about many Asian tiger and dragon economies having done badly with regard to total factor productivity.

26. He is only wrong with regard to some of his statistics. And he is profoundly wrong in assuming that those who have been poor productivity performers in the past will be poor productivity performers in the future.

27. If the East Asian economies have shown anything, they have shown intellectual honesty in discovering the obvious, in discovering the well-trodden path to dynamic economic development, in discovering the only means of achieving massive growth. Our genius has arisen from being able to do what everybody knows, in being able to do the obvious, in being able to get our people to scrape, save and sweat, to do what needs to be done.

28. What East Asians need to do now, without exception, is to mount a massive productivity push and to move our economic systems to new levels of productivity performance.

29. We may not all succeed in our struggle for productivity. Some will no doubt fail. We must expect to pay the price. If we fall we must get up and push again.

30. The sceptical world should watch what Asians are doing and take it as examples for them, for Asians who trade know that poor trading partners are no good to anyone. We want everyone to prosper for as we all know a world divided into haves and have nots is not going to be an objective worth struggling for. Such a world is no good for anyone.

31. There is a third item on our domestic agenda which needs to be emphasised. We must ensure that our political development and economic growth must be accompanied with or result in social justice for all.

32. The challenge of social justice is as wide as it is deep. It ranges from the absolute eradication of absolute poverty, to ensuring sound judicial systems, the rule of law, equality, the protection and fostering of women and children, helping the disadvantaged and those left behind by development.

33. The social justice agenda in all our nations is a long one. In meeting the social justice challenge, we cannot go wrong if we sincerely and seriously bow to the fact that every one of our citizens is important. To each man, he is the world.

34. Let me now turn to the second fundamental challenge that Asia faces: the challenge of regional friendship and prosperity.

35. So many of us have been strangers to each other for so long, so many of us have been adversaries of each other for so long, that too many of us have never dared to ask the most basic and obvious of questions: why can we not, why should we not be friends?

36. We need to escape the mindset dictated in capitals in other continents, many of whom may not have a similar interest in our peace and our friendship. It is touching how so many of us in Asia seem to assume that others can have a greater interest in the welfare of Asia than Asians do. It is remarkable how much we borrow from others in terms of what to think about, how to think about the things we think about, even what to think about the things we think about. Colonialism is dead. But it is amazing how vigorous is our

intellectual subservience and how deep is our psychological servitude.

37. The minimal task of regional statesmanship lies in ensuring that none of us slip down the slippery slope towards violent conflict. The real task of regional statesmanship lies in building a warm and cooperative peace in our East Asian Home - initially and in the rest of Asia eventually.

38. In trying to do this, we can encourage and support the constructive assistance of our friends. But the East Asian Peace that we must build must be built largely by us on the basis of non military balances and alliances.

39. The undeterred hard-core Balance of Military Power enthusiasts, who very often call themselves 'Realists' with a big 'R', and who are to be found in surprising numbers even in Asia, will no doubt say that if no single nation can create a Balance of Power on its own, the obvious answer is to create alliances. It is interesting to note that amongst these so-called 'Realists' there is not a single one who advocates an alliance against the United States or even against Japan. It is quite obvious who they want to create an alliance against. China is the mother of all threats. When there is a shortage of security threats, China can always be trotted up.

40. Indeed, there is today, especially since the World Bank forecast of China emerging as the world's number one economic power, the most vigorous marketing of the China threat. We have not seen such vigorous marketing since the days of John Foster Dulles. I am most perturbed since I know that once we treat nations as if they are the enemy of tomorrow, they will rapidly become the enemy of today.

41. In speaking against the Balance of Power approach to the making of the East Asian Peace, I am not dismissing the importance of military capability. Obviously, some nations in the region must militarily build up even as some should militarily draw down.

42. The hard Balance of Power approach must mean the creation of alliances and counter-alliances, the drawing of lines between friends and foes and the division of East Asia into rival camps. This is not only counter-productive but is most unwise.

43. When we start to arm to the teeth in order to be able to adequately 'deal' militarily with each other and to forcefully balance each other, what are the psychological costs in terms of suspicion, the erosion of trust and the undermining of whatever confidence that had been built; not to mention of

course the horrendous cost and waste of money and time and effort. If we prepare for war, are we not more likely to get war rather than peace? Is real peace, as opposed to the mere absence of war, ever created by the ruinous process of vigorous military balancing?

44. If we truly want an East Asian Peace we must be prepared to fight for it with the will and the means that are normally reserved for the prosecution of war. And the most opportune time to launch this fight for the East Asian Peace is now, when tensions are at their ebb, when nations are relaxed, indeed when peace is already there.

45. It is under these propitious circumstances that the foundations of an enduring, warm and cooperative peace must be built and buttressed.

46. The conditions in Southeast Asia in the mid- Sixties when the members of ASEAN launched their historic act of regional statesmanship were much less propitious than are the conditions prevailing in East Asia today. I believe that it is time for East Asia to launch a similar act of regional statesmanship.

47. The East Asian Peace must allow for the constructive contribution of all the states of this region. An outside deterrent is not only not necessary but can run counter to the objective. The East Asian Prosperity must similarly allow for the constructive contribution of all states, big and small, for all Asian states have shown a capacity for level-headedness, irrespective of size or situation.

48. East Asia must be strongly wedded to the principle of 'Open Regionalism'. This means that if we regionally cooperate amongst ourselves on issues of trade, the result of that cooperation must be a reduction of the barriers not only between ourselves but also to the outside world.

49. At the beginning of my speech, I spoke of what I thought were the three key components of the making of the Asian Renaissance: domestic reform and revolution, regional friendship and prosperity, and contributing to a better, more just and more productive new world order.

50. Since the term 'new world order' was first proclaimed, there has been an almost incredible attempt amongst some to banish it from our consciousness. They who were so enthusiastic before seem not to want a new world order now. I speak of a new world order because I believe we do need a new world order, one in which there is greater justice, greater mutual respect, greater egalitarianism, a stronger sense of

global fraternity, much greater global peace and much greater global prosperity.

51. Asia must rise. It must make a greater contribution to the global commonwealth of man. It must contribute to greater justice in the world, to greater mutual respect in the world, to greater egalitarianism in the world, to greater fraternity in the world, to much greater peace in the world and to much greater prosperity in the world.

52. In order to do this, Asia must put its own house in order. Asia must empower itself. Asia must be worthy of leadership. And Asia must rise to the challenge of contribution.

53. You may have noticed that at the very start, I set a 2020 time horizon. I will not be there to see the day. But I hope that by then enough will have been achieved that we can see the glimmer of the Asian Renaissance of which I spoke.

54. Many have spent a great deal of their time throwing cold water on the very idea that Asia is on the rise and that a resurgent Asia will see the return of history -- to the days when Asia contributed its fair share to modernity and to human civilisation.

55. We have heard ad nauseum the reasons why we are all destined for the dustbin of history. For too many years, the Asia-sceptics were right. What is worse, for too many years, we deserved to go down the tubes.

56. But for more than a generation now, the Asia-sceptics have been proven wrong.

57. Cold water has its uses. It is necessary for those of us whose heads are inordinately large. But in this phase of history, we have confounded the Asia-sceptics. May we continue to confound them and their cynicism.

58. May we have the wisdom to avoid the pitfalls, may we have the tenacity to sustain our development and may we have the will to face all the challenges and the stamina to complete the journey towards the Asian Renaissance.